

**F E D E R A L
S T U D E N T A I D**

We Help Put America Through School

**Case Management Division Northeast
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

March 18, 2004

Ref: Audit Control No. 09-2002-31147

**CERTIFIED MAIL
Return Receipt Requested
7003 1680 0000 0643 8206**

Mr. Lawrence Galley
President
Pennsylvania Institute of Culinary Arts
d/b/a Pennsylvania Culinary
717 Liberty Avenue, 1200 Clark Building
Pittsburgh, PA 15222

Dear Mr. Galley:

This letter advises you of our final audit determination concerning the audit report of your administration of the Title IV Student Financial Assistance Programs. This report, prepared by Almich and Associates, Certified Public Accountants, covers the year ended December 31, 2002. We have considered the corrective action plan provided with the audit report.

Enclosed is our final audit determination for this audit. Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the attachments to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit. Reimbursement instructions for any liability owed to the Department of Education are provided at the end of this letter.

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G.

If you elect to appeal to the Secretary for a review of this final audit determination, you must file a written request for a hearing. The Department must receive your request no later than 45 days from the date you receive this final audit determination. An original and three copies of the information you submit must be attached to your request. Your request may be sent by regular, overnight or courier mail to:

Mr. Lawrence Galley, President
Pennsylvania Institute of Culinary Arts
March 18, 2004
Page 2

Ms. Mary E. Gust, Director
Administrative Actions and Appeals
U. S. Department of Education
Schools Eligibility Channel/ASEDS/FSA
830 First Street, NE - UCP3, Room 83E1
Washington, DC 20002-5267

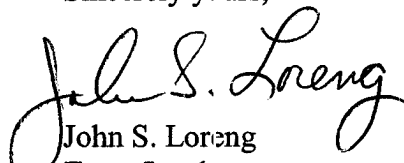
Your request must: (1) indicate the findings, issues, and facts you dispute; (2) state the institution's position together with pertinent facts and reasons supporting your position; (3) include any documentation to support your position with **auditor verification**; and (4) include a copy of this final audit determination letter. We define **auditor verification** as a confirmation statement that a corrective action was accurately taken by the institution in accordance with the Department's instructions. This corrective action includes a confirmation of documents, liabilities paid, file reviews, projection sampling and formulas used to calculate liabilities.

Your request for the Secretary's review of the final audit determination will result in a hearing before a qualified hearing official. The hearing official will contact you regarding the conduct of the hearing. For further information regarding this review, you should refer to 34 CFR Part 668, Subpart H, of the Student Assistance General Provisions regulations.

Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations. Please retain records pertaining to findings under appeal for three years after the Secretary's final decision.

We appreciate your continued cooperation throughout the audit resolution process. If you have any questions about our review, please call Mr. John W. Miller of my staff on (202) 377-4212.

Sincerely yours,


John S. Loreng
Team Leader

Enclosures

cc: Ms. Jennifer Burns, Financial Aid Administrator
Mr. Robert James, Liaison for Career Institutions of Higher Education
Mr. John Miller, Audit Resolution Specialist

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 1, Return of Title IV, Page 7

Finding:

The auditor disclosed that from a sample of 25 student files reviewed for refund compliance, one file showed that a refund was paid 53 days late.

Final Audit Determination:

Reference: 34 CFR Section 668.22(j) and 668.167 of the Student Assistance
General Provisions Regulations

The institution is required to make refunds of Title IV funds as soon as possible, but no later than 30 days after the date that the institution determines a student withdraws, drops out or is terminated as defined in 668.22(l).

The institution states in its corrective action plan that all refunds are processed within 3 days after the student's date of determination. All return of funds is now processed through ELM electronically, which assists in timely processing of all refunds. In addition, all return of funds is now tracked on a refund tracking spreadsheet to assure clearance before the 30-day required deadline. Staff also participates in on-going training to assure that all refunds are made accurately and timely. In this specific instance, the funds were returned to the borrower, as appropriate.

The auditor must on the effectiveness of the corrective action taken with a comment in the "Prior Audit" section of the next audit report. Our office reminds you that failure to make refunds is an indication that the institution is not financially responsible under 34 CFR part 668, Subpart L of the General Provisions Regulations. Additional action may be required if the institution repeats this finding in the next audit report.

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 3, Federal Pell Grant Over/Underpayment, Page 9

Finding:

The auditor disclosed that from a sample of 29 student files reviewed, one file showed that the student was underawarded \$200 in Federal Pell.

Final Audit Determination:

Reference: 34 CFR Section 690.75 of the Federal Pell Grant Program
Regulations

For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the requirements of 34 CFR 668.19 have been met, and the student qualifies as an eligible student under 34 CFR part 668, subpart C; is enrolled in an eligible program as an undergraduate student; and fulfills requirements set forth in this part.

Upon learning of the finding, the institution made the appropriate adjustment. The auditor reviewed the documentation. The auditor must comment on the effectiveness of any additional corrective action in the "Prior Audit" section of the next audit report.

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 4, Documentation of Dependent Status, Page 10

Finding:

The auditor disclosed that from a sample of 75 files reviewed for FFELP loan compliance, two files received Federal Unsubsidized Stafford Loans without appropriate documentation of parent loan denial. Student 1 received \$3,880. Student 2 received \$3,960. The student was appropriately awarded all other aid received as dependent students. As additional information, the institution returned the \$3,880 for Student 1 and the auditor reviewed a copy of the check. [Questioned Costs: \$3,960]

Final Audit Determination:

Reference: 34 CFR Section 682.201 of the Federal Family Education Loan Program Regulations

Except for a refinanced SLS/PLUS loan made under Sec. 682.209 (e) or (f), a student is eligible to receive a Stafford loan, and an independent undergraduate student, a graduate or professional student, or, subject to paragraph (a)(3) of this section, a dependent undergraduate student, is eligible to receive an unsubsidized Stafford loan, if the student who is enrolled or accepted for enrollment on at least a half-time basis at a participating school meets the requirements for an eligible student under 34 CFR part 668, and in the case of any student who seeks an unsubsidized Stafford loan for the cost of attendance at a school that participates in the Stafford Loan Program, the student must receive a determination of need for a subsidized Stafford loan, and if the determination of need is in excess of \$200, have made a request to a lender for a subsidized Stafford loan.

The institution states in its corrective action plan that it returned the remaining questioned costs upon learning of the finding. Therefore, we will not require a reimbursement at this time. The auditor must report on the effectiveness of the corrective action taken with a comment in the "Prior Audit" section of the next audit report.

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 5, Verification Issues, Page 11

Finding:

The auditor reports that from a sample of 75 files tested for verification compliance, two files showed that the files contained incomplete information. For Student 1, all verification documents were missing. For Student 2, the student's tax form was not signed. The students received net Title IV aid as follows:

Student Number	Award Year	Amount	Title IV Program
1	2002-003	\$ 637	Federal Unsubsidized Stafford Loan
2	2002-03	1,273	Federal Unsubsidized Stafford Loan

Total Net Aid Disbursed **\$1,910**

Final Audit Determination:

Reference: 34 CFR, Subpart E, Sections 668.51 through 668.61 of the Student Assistance General Provisions Regulations

The purpose of the verification process is to ensure equitable treatment of all SFA applicants in determining their eligibility; therefore, the accuracy of all information is vital to the awarding process. An institution must require an applicant selected for verification to submit acceptable documentation that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) AGI and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file.

If a student's application is selected for verification, he or she must complete the verification process or forfeit federal student aid eligibility. The institution has the authority to withhold the disbursement of any aid until the student completes the required verification. Such a policy ensures that a student's application information and eligibility determination are absolutely correct before any funds are disbursed, and when enforced will thereby substantially reduce the incidence of overpayments.

The institution states in its corrective action plan that it initiated a refund for Student 1 for \$637. For Student 2, the institution obtained the signed tax form and the student remained eligible for federal funds. The auditor reviewed the documentation and found it to be accurate. The auditor must report on this and any addition corrective action taken with a comment in the "Prior Audit" section in the next audit report.

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 6, Federal Pell Overaward, Page 12

Finding:

The auditor reports that from a sample of 29 student files reviewed for Federal Pell Grant compliance, one file showed the student was overawarded \$700 for Federal Pell in the 2002-03 award year.

Final Audit Determination:

Reference: 34 CFR Section 690.75 of the Federal Pell Grant Program
Regulations (as cited in Finding 3, noted above)

The auditor further reports that upon learning of the finding, the institution returned \$700 to the Federal Pell Program. The auditor reviewed the documentation. Further, the institution states in its corrective action plan that on-going training is in place to reinforce the requirements surrounding the Federal Pell Program. The auditor must report on the effectiveness of the corrective action taken with a comment in the "Prior Audit" section of the next audit report.

ACN: 09-2002-31147

Institution: Pennsylvania Institute of Culinary Arts

Finding Number: 7, Federal Pell Grant, Page 13

Finding:

The auditor disclosed that from a sample of 29 student files reviewed, six files showed the students were eligible for Federal Pell Grants that were not paid. The information is shown as follows:

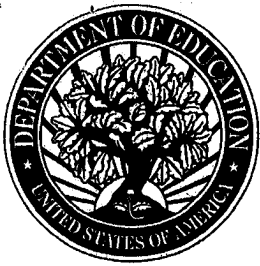
Student Number	Award Year	Amount Unpaid	Title IV Program
1	2002-03	\$2,000	Federal Pell Grant
2	2002-03	1,325	Federal Pell Grant
3	2001-02	1,150	Federal Pell Grant
4	2001-02	1,875	Federal Pell Grant
5	2001-02	1,875	Federal Pell Grant
6	2002-03	2,650	Federal Pell Grant

Final Audit Determination:

Reference: 34 CFR Section 690.6(a) of the Federal Pell Grant Program Regulations

Except as provided in paragraphs (c) and (d) of this section, a student is eligible to receive a Federal Pell Grant for the period of time required to complete his or her first undergraduate baccalaureate course of study.

The auditor further states that based upon learning of this finding, the institution disbursed the appropriate funds to three of the six students in question and the auditor reviewed the documentation. The institution states in its corrective action plan that for its part it disburses Federal Pell to all of the students in question. Further, a procedure has been implemented to ensure that all students eligible to receive Pell are awarded and disbursed accordingly. The institution will review the EFC indicated on the ISIR Summary Report to ensure all students have been awarded. On-going training is in place to reinforce the requirements surrounding the Federal Pell Program.



F E D E R A L
S T U D E N T A I D

We Help Put America Through School

APR 15 2005

**COPY FOR YOUR
INFORMATION**

Audit Control Number (ACN): 03-2003-43746
OPE ID Number: 03006800

Mr. Charles Hardiman
President
Pennsylvania Institute of Culinary Arts
717 Liberty Avenue
1200 Clark Building
Pittsburgh, PA 15222

Dear Mr. Hardiman:

This letter advises you of the Department of Education's final audit determination concerning the audit report of Pennsylvania Institute of Culinary Art's administration of the Title IV Student Financial Assistance Programs. This report, prepared by Almich and Associates, Certified Public Accountants, covers the period January 1, 2003 to December 31, 2003. We have reviewed the institution's corrective action plan provided with the audit report.

Enclosed is our final audit determination for this audit. Although the enclosures to this letter may not address each of the auditor's findings, the institution must take the necessary actions to correct all the deficiencies noted in the audit report. The auditor must comment on all the actions taken by the institution to correct each finding noted in this audit report, as well as any required actions in the enclosures to this letter, in the "Prior Audit" section of the next regularly scheduled non-Federal audit.

The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G.

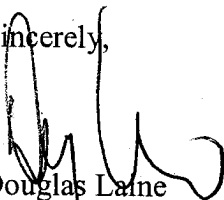
ACN: 03-2003-43746

Page 2 – Pennsylvania Institute of Culinary Arts, PA

Program records relating to the period covered by this audit are subject to the normal three-year record retention requirements outlined in program regulations.

Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call Ms. Rosanne André of my staff on (202) 377-4227.

Sincerely,

A handwritten signature in black ink, appearing to read 'DL', is written over the printed name 'Douglas Lane'.

Douglas Lane
Team Leader
School Participation Team, NE-Philadelphia

Enclosure(s)

cc: Financial Aid Director, Pennsylvania Institute of Culinary Arts, PA
Nancy Klingler, Area Case Director, School Participation Team, NE-Philadelphia

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding No. 03-1 (Incomplete Verification) Page 7

Finding:

The auditor's review of 75 student files disclosed 5 instances where files contained incomplete or missing information with regard to verification. A similar finding was noted in the prior year audit report.

Final Audit Determination:

Section 668.56 of the Student Assistance General Provision regulations provides that an institution must require an applicant selected for verification to submit acceptable documentation as described in Section 668.57 that will verify or update the information used to determine the applicant's EFC. The documentation to be verified includes: (a) AGI and U.S. income tax paid; (b) Number of family members in household; (c) Number of family household members enrolled in postsecondary institutions; and (d) Untaxed income and benefits. The verification documentation must be secured and retained in the student's file.

Subsequent to the auditor's fieldwork the institution recalculated the need analysis for the students in question and returned the excess aid where required. The auditor verified the corrective action taken by the institution and there were no remaining questioned costs for this finding. Accordingly, no further corrective action is required at this time.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding No. 03-2 (Unresolved Conflicting Information)

Finding:

The auditor found that conflicting information with respect to student eligibility was not resolved prior to disbursement in two student files. One student's ISIR contained a comment that the student was in default, and this conflict was not resolved, and the other student's ISIR contained a comment that selective service registration could not be confirmed. Upon learning of the finding, the institution refunded the aid disbursed to the two students.

Final Audit Determination:

Section 668.32 of the Student Assistance General Provisions regulations states that an otherwise eligible student may receive Title IV, HEA program assistance if the student is not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program; and that he satisfies the Selective Service registration requirements set forth in Section 668.37.

Since the institution refunded the aid disbursed to the ineligible students, no further corrective action is required at this time.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding Nos. 03-3, 03-7 (Federal Pell Grant Awards) Pages 10, 15

Finding:

The auditor noted one instance where a student was overawarded Federal Pell Grant funds in the amount of \$675. Upon learning of the finding, the institution refunded \$675 to the Federal Pell Grant program as verified by the auditor. In addition, the auditor noted two cases where students were underawarded Federal Pell Grant funds totaling \$100. Upon learning of the finding, the institution credited each student's account \$50 as verified by the auditor. Similar findings were noted in the prior year audit report.

Final Audit Determination:

In accordance with Section 690.62 of the Federal Pell Grant program regulations, the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Since the over and under awards have been corrected, and the institution has strengthened its procedures to ensure that Federal Pell Grants are properly awarded, no further corrective action is required at this time.

Finding No. 03-4 (NSLDS Reporting Errors) Page 11

Finding:

The auditor noted that the institution reported the enrollment status to the National Student Loan Data System (NSLDS) for certain students in error. Specifically, the auditor noted two instances where the borrower's enrollment status change was not reported in a timely manner.

Final Audit Determination:

Section 682.610 of the Stafford Loan Program regulations requires that a school must complete and return a student status confirmation report form (or other similar status confirmation report) within 30 days of its receipt. Further, the institution must promptly notify the lender when a recipient's status drops below half time and it does not expect to submit its next SSCR within the next 60 days.

We note from a review of the institution's corrective action plan that it will ensure that enrollment status changes are accurately reported on a 60 day cycle.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding Nos. 03-5, 03-9 (Returns of Title IV Funds Untimely) Pages 12, 17

Finding:

The auditor found that the return of Title IV funds payments were not paid within the prescribed time-frame for 3 of 25 student files tested. Based on the finding, the auditor expanded the sample by an additional 59 students and found 3 additional students with late refunds. As a result, 6 of the 84 students had refunds paid late based on the canceled check dates. The auditor also found three instances where the returns of Title IV funds were not paid. Upon learning of this finding, the institution paid the funds for these three students as verified by the auditor. Similar findings were noted in the prior year audit report.

Final Audit Determination:

Currently, Section 668.22(j) of the Student Assistance General Provisions regulations states that an institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section.

Since your audit contained a late and/or unmade refund finding, the institution is noncompliant with 34 CFR 668.173. Pursuant to this regulation, the institution is required to provide the Department a letter of credit equal to 25 percent of the refunds that were made or should have been made for the most recently completed fiscal year. We note from a review of our records that the institution has posted a letter of credit that expires on July 31, 2005. If further action is required of the institution with regard to this letter of credit, you will be notified under separate cover.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding No. 03-6 (Dependence Override not Documented) Page 14

Finding:

The auditor noted that documentation of a dependency override was lacking from one student's file.

Final Audit Determination:

Section 480(d) of the Higher Education Act of 1965, as amended (HEA), defines an independent student as someone who fits into one or more of six specific categories. Under these categories a student is independent if he or she -

- (1) Is 24 years of age or older by December 31 of the award year;
- (2) Is an orphan or ward of the court or was a ward of the court until the individual reached the age of 18;
- (3) Is a veteran of the Armed Forces of the United States;
- (4) Is a graduate or professional student;
- (5) Is a married individual; or
- (6) Has legal dependents other than a spouse.

In addition, an individual who does not qualify as an independent student under one of these six categories may be considered an "independent student" under section 480(d)(7) of the HEA. Under that provision, a student is considered to be an independent student if he or she;

... is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Since this appears to be an isolated instance and the institution has repaid the Title IV funds awarded to this student, no further corrective action is required at this time.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding No. 03-8 (Ineligible Student-FSEOG) Page 16

Finding:

The auditor found one student who received FSEOG funds but was not eligible. Specifically, the student had already earned a bachelor's degree. Upon learning of the finding the institution repaid the FSEOG funds as verified by the auditor.

Final Audit Determination:

Section 676.9 of the FSEOG Program regulations states that an otherwise eligible student may receive an FSEOG for an award year if the student is enrolled or accepted for enrollment as an undergraduate student at the institution.

Since this appears to be an isolated instance and the ineligible grant funds have been repaid, no further corrective action is required at this time.

ACN 03-2003-43746 Institution Pennsylvania Institute of Culinary Arts, PA

Finding No. 03-10 (Misclassified FFEL Loan) Page 19

Finding:

The auditor noted a loan application that was incorrectly certified as a Federal Subsidized Stafford Loan when it should have been a Federal Unsubsidized Stafford Loan. Upon notification of the finding, the institution reallocated the Federal Subsidized Stafford Loan to a Federal Unsubsidized Stafford Loan as verified by the auditor.

Final Audit Determination:

Section 682.603 of the Stafford Loan Program regulations states that a school must certify that the information it provides in connection with a loan application about the borrower and, in the case of a parent borrower, the student for whom the loan is intended, is complete and accurate. Part of the information to be provided by the school about the borrower making application for the loan includes the student's estimated cost of attendance and estimated amount of financial assistance for the period for which the loan is sought.

In addition, an institution may not certify a loan, or combination of loans for an amount that exceeds the student's estimated cost of attendance, less the student's estimated financial assistance for that period; and in the case of a Stafford Loan that is eligible for interest benefits, the borrower's expected family contribution for that period.

Since this appears to be an isolated instance and the institution changed the loan to an Unsubsidized Stafford loan, no further corrective action is required at this time.



**F E D E R A L
S T U D E N T A I D**

We Help Put America Through School

**Philadelphia Case Management Team
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

February 8, 2005

Mr. John Larson
President
Pennsylvania Institute of Culinary Arts
717 Liberty Avenue
1200 Clark Building
Pittsburgh, PA 15222-3511

Certified Mail
Return Receipt Requested
7004 2510 0004 7726 4067

OPE ID: 03006800

Dear Mr. Larson:

This letter constitutes our written request to the officials of Pennsylvania Institute of Culinary Arts for access, beginning February 28, 2005 to your HEA records, staff and students, so that Mr. Fred Wynn and Ms. Diane Mangin, Institutional Review Specialists, can conduct a program review of your institution's administration of the Title IV Federal Student Aid programs. The regulatory authorities for this visit are cited below.

34 CFR Section 668.24(d)(2) "An institution shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representatives."

34 CFR Section 668.24(f)(1) "An institution that participates in any Title IV, HEA program and the institution's third party servicer, if any, shall cooperate with an independent auditor, the Secretary, the Department of Education's Inspector General, the Comptroller General of the United States, or their authorized representatives, a guaranty agency in whose program the institution participates, and the institution's accrediting agency, in the conduct of audits, investigations, program reviews, or other reviews authorized by law."

34 CFR Section 668.24 (f)(2) "The institution and servicer must cooperate by - (ii) Providing reasonable access to personnel associated with the institution's or servicer's administration of the Title IV, HEA programs for the purpose of obtaining relevant information."

Failure to provide this access to the program reviewers will result in the Department of Education taking administrative action against the institution. This action may include, but is not limited to: the limitation, suspension or termination of the institution's participation, pursuant to 34 CFR Part 668, Subpart G.

The Program Review Team will arrive at approximately 10:00 AM on Monday, February 28, 2005.

The program review will encompass the administration of the Title IV Federal Student Aid programs included in your Program Participation Agreement, and will evaluate the following areas:

1. General institutional eligibility and program administration,
2. Student eligibility,
3. Student financial aid records,
4. Registrar records (including attendance and academic record), and
5. Fiscal administration and records (including bank statements, ledgers and journals).

The initial focus of the review will cover your institution's administration of Title IV funds for the 2002-2003 and 2003-2004 award years. All records requested by the reviewers pertain to those years, unless otherwise noted. Please note, however, that the institution must be prepared to provide records for at least the last three award years or as outlined in record retention requirements specified in regulations.

Please inform the personnel responsible for the areas listed and such other persons as you deem appropriate of the scheduled review so that they, or their designees, and the appropriate records will be available during the review. At the start of the review, the reviewers will meet with institutional officials to apprise them of the review process.

At the conclusion of the review, the reviewers will meet with you or your designee(s) to discuss the findings and recommendations. You will receive an official written report at a later date.

We request your assistance in expediting the review process by sending the following items prior to the on-site visit:

1. A copy of your most recent school catalog along with a copy of the catalog(s) for the years under review.
2. A separate list for each award year (2002-2003 and 2003-2004) of Title IV recipients. Please provide this information in an unduplicated and reconciled format, listing each student by name and social security number, specifying the dollar amount of Title IV aid, by program, received by each recipient. Sequentially number the students in each report. We request the information be provided on a 3½" computer disk, in EXCEL (IBM compatible) format, in hopes of facilitating your information gathering process and our ability to utilize the data. If you are unable to provide this information on disk, please provide hard-copy reports. Since the receipt of this information is very important to the review process, please call Ms. Mangin at

215.656.6459 if there are any questions or problems regarding the preferred format.

Forward the requested items to Ms. Mangin of our office to arrive no later than February 22, 2005 at the following address:

U.S. Department of Education
School Participation Team Northeast
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107

Depending upon the programs in which your institution participates, we request that the following records or documents be assembled in advance of the visit so that they are immediately available for examination by the reviewers at the start of the review.

1. Organizational chart for all divisions and campus sites, including the names and phone numbers of administrators, officers, managers, and staff responsible for the administration of the Title IV programs.
2. Ability to benefit test, answer key, passing score, and the dates the test was in use.
3. Fiscal Operations Report and Application to Participate (FISAP), with supporting documentation.
4. Non-Federal (independent) FSA audit (most recent).
5. Percentage of current students enrolled receiving Federal assistance.
6. Student status confirmation reports filed for the 2002-2003 and 2003-2004 award years.
7. Copy of the school's default management plan (if required).
8. A complete set of fiscal records for financial aid, including a chart of accounts, general ledger and subsidiary ledgers, including lists of disbursements to students.
9. Original canceled checks, bank statements, deposit slips, checkbook or check roster and any back up documentation for cash request to ED Payments (EDPMTS) or Education Central Automated Processing System (EDCAPS).
10. Federal Pell Grant Program Institutional Payment Summaries (IPS), and Statements of Accounts (SOA), Recipient Financial Management System (RFMS) data and Common Origination and Disbursement data.
11. Policies and procedures manual pertaining to the administration of Title IV programs.
12. Sample FSA forms used by your institution in operating its aid programs, such as any institutional applications for aid, contract/enrollment agreements and admission applications, tuition account cards, institutional verification forms, and student certification forms.
13. Sample worksheets used for administering Title IV funds, such as refund calculation worksheets, FFEL proration worksheets, etc.

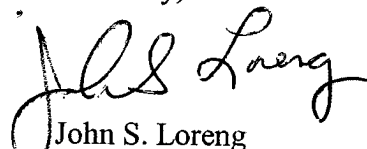
14. Cost of attendance budgets for all programs offered by the institution.
15. A copy of the institution's Perkins loan promissory note and disclosure statement and a copy of any servicer contract (if applicable).
16. Copies of academic program approval notices issued by the state education department for each course offered by your school.
17. A copy of the latest letter issued by your accrediting body evidencing the accredited status of your school.
18. Copies of any contracts with third party servicers (e.g. financial aid, Perkins, ATB tester, etc.).
19. Type of software programs used in administering Title IV.
20. A copy of the institution's program participation agreement (PPA) and Eligibility and Certification Approval Report (ECAR).
21. Copies of the institution's financial statements for the last two fiscal years.
22. Refund repayment and refund distribution policies and satisfactory academic progress standard.
23. A copy of the institution's Campus Security Reports.
24. Copies of any rules or regulations of your accrediting or licensing bodies.

The reviewers will provide a listing of a sample of students who received Title IV funds at your institution. For each of those students, the school must provide all academic, financial aid, and disbursement records which document the students' eligibility for, and receipt of, Title IV funds.

Additional records may be requested at the onset, and during the review as needed. These records may not be limited to the award years specified above. We will do our best to ensure that this visit is conducted as expeditiously as possible.

If you have any questions, please call Ms. Mangin at (215) 656-6459. Thank you for your cooperation.

Sincerely,


John S. Loreng
Team Leader

cc: Ms. Cristal Garland, Financial Aid Administrator



Pennsylvania Culinary Institute

EIN: 251548137

OPE ID: 03006800

Audit Firm: Almich and Associates

Corrective Action Plan for the Fiscal Year Ended December 31, 2003

Finding 03-1

The school concurs with the finding.

As the school completed verification, made the appropriate adjustments to the student awards, and credited or refunded aid as appropriate, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure verification is completed before Title IV funds are authorized or disbursed. This includes increased training of staff, as well as internal quality control monitoring.

Finding 03-2

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the conflicting information was resolved, and ineligible funds were returned, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure that conflicting information is resolved before Title IV funds are authorized or disbursed.

Finding 03-3

The school concurs with the finding.

As the school returned the overawarded funds, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure that Federal Pell Grant funds are properly awarded.

Finding 03-4

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the enrollment statuses were reported, no further action was taken.

OFFICE OF THE PRESIDENT

717 LIBERTY AVENUE, PITTSBURGH, PA 15222

1-800-432-CHEF

The Director of Financial Aid has strengthened internal procedures to ensure that enrollment status changes are accurately reported on a 60 day cycle.

Finding 03-5

The school concurs with the finding.

The school has paid the refunds for the students in the expanded sample who were identified as unpaid.

The Vice President of Finance has strengthened internal procedures to ensure that return of Title IV funds are calculated and refunds are paid on a timely basis.

Finding 03-6

The school concurs with the finding. The finding is unusual and not consistent with school policy.

The school refunded the loan funds to the lender.

The Director of Financial Aid has strengthened internal procedures to ensure that documentation is maintained to support professional judgment decisions.

Finding 03-7

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the appropriate Pell Grant funds were disbursed, no further action was taken.

The Director of Financial Aid and Vice President of Finance have strengthened internal procedures to ensure that Title IV funds are properly awarded, authorized, and disbursed.

Finding 03-8

The school concurs with the finding.

As the ineligible funds have been returned, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure that eligibility criteria are confirmed before Title IV funds are awarded.

Finding 03-9

The school concurs with the finding.

As the school has paid the refunds, no further action was taken.

The Vice President of Finance has implemented procedures to ensure that return of Title IV calculations are made, and refunds are paid, on a timely basis. These procedures

include monitoring withdrawn students and performing return of Title IV funds calculations on a more timely basis. Further, these procedures include enhanced monitoring to ensure the calculations are performed on a timely basis and refunds are made on a timely basis to ensure the 30 days timeframe is met.

Finding 03-10

The school concurs with the finding. This finding is unusual and not consistent with school policy.

As the loans have been reallocated, no further action was taken.

The Director of Financial Aid has strengthened internal procedures to ensure that loan eligibility is properly determined.

Charles Hardiman
Charles Hardiman
President

6/28/04
Date



**F E D E R A L
S T U D E N T A I D**
We Help Put America Through School

**Philadelphia Case Management Team
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107-3322**

February 8, 2005

Mr. John Larson
President
Pennsylvania Institute of Culinary Arts
717 Liberty Avenue
1200 Clark Building
Pittsburgh, PA 15222-3511

Certified Mail
Return Receipt Requested
7004 2510 0004 7726 4067

OPE ID: 03006800

Dear Mr. Larson:

This letter constitutes our written request to the officials of Pennsylvania Institute of Culinary Arts for access, beginning February 28, 2005 to your HEA records, staff and students, so that Mr. Fred Wynn and Ms. Diane Mangin, Institutional Review Specialists, can conduct a program review of your institution's administration of the Title IV Federal Student Aid programs. The regulatory authorities for this visit are cited below.

34 CFR Section 668.24(d)(2) "An institution shall make its records readily available for review by the Secretary or the Secretary's authorized representative at an institutional location designated by the Secretary or the Secretary's authorized representatives."

34 CFR Section 668.24(f)(1) "An institution that participates in any Title IV, HEA program and the institution's third party servicer, if any, shall cooperate with an independent auditor, the Secretary, the Department of Education's Inspector General, the Comptroller General of the United States, or their authorized representatives, a guaranty agency in whose program the institution participates, and the institution's accrediting agency, in the conduct of audits, investigations, program reviews, or other reviews authorized by law."

34 CFR Section 668.24(f)(2) "The institution and servicer must cooperate by - (ii) Providing reasonable access to personnel associated with the institution's or servicer's administration of the Title IV, HEA programs for the purpose of obtaining relevant information."

Failure to provide this access to the program reviewers will result in the Department of Education taking administrative action against the institution. This action may include, but is not limited to: the limitation, suspension or termination of the institution's participation, pursuant to 34 CFR Part 668, Subpart G.

The Program Review Team will arrive at approximately 10:00 AM on Monday, February 28, 2005.

The program review will encompass the administration of the Title IV Federal Student Aid programs included in your Program Participation Agreement, and will evaluate the following areas:

1. General institutional eligibility and program administration,
2. Student eligibility,
3. Student financial aid records,
4. Registrar records (including attendance and academic record), and
5. Fiscal administration and records (including bank statements, ledgers and journals).

The initial focus of the review will cover your institution's administration of Title IV funds for the 2002-2003 and 2003-2004 award years. All records requested by the reviewers pertain to those years, unless otherwise noted. Please note, however, that the institution must be prepared to provide records for at least the last three award years or as outlined in record retention requirements specified in regulations.

Please inform the personnel responsible for the areas listed and such other persons as you deem appropriate of the scheduled review so that they, or their designees, and the appropriate records will be available during the review. At the start of the review, the reviewers will meet with institutional officials to apprise them of the review process.

At the conclusion of the review, the reviewers will meet with you or your designee(s) to discuss the findings and recommendations. You will receive an official written report at a later date.

We request your assistance in expediting the review process by sending the following items prior to the on-site visit:

1. A copy of your most recent school catalog along with a copy of the catalog(s) for the years under review.
2. A separate list for each award year (2002-2003 and 2003-2004) of Title IV recipients. Please provide this information in an unduplicated and reconciled format, listing each student by name and social security number, specifying the dollar amount of Title IV aid, by program, received by each recipient. Sequentially number the students in each report. We request the information be provided on a 3½" computer disk, in EXCEL (IBM compatible) format, in hopes of facilitating your information gathering process and our ability to utilize the data. If you are unable to provide this information on disk, please provide hard-copy reports. Since the receipt of this information is very important to the review process, please call Ms. Mangin at

215.656.6459 if there are any questions or problems regarding the preferred format.

Forward the requested items to Ms. Mangin of our office to arrive no later than February 22, 2005 at the following address:

U.S. Department of Education
School Participation Team Northeast
The Wanamaker Building
100 Penn Square East, Suite 511
Philadelphia, PA 19107

Depending upon the programs in which your institution participates, we request that the following records or documents be assembled in advance of the visit so that they are immediately available for examination by the reviewers at the start of the review.

1. Organizational chart for all divisions and campus sites, including the names and phone numbers of administrators, officers, managers, and staff responsible for the administration of the Title IV programs.
2. Ability to benefit test, answer key, passing score, and the dates the test was in use.
3. Fiscal Operations Report and Application to Participate (FISAP), with supporting documentation.
4. Non-Federal (independent) FSA audit (most recent).
5. Percentage of current students enrolled receiving Federal assistance.
6. Student status confirmation reports filed for the 2002-2003 and 2003-2004 award years.
7. Copy of the school's default management plan (if required).
8. A complete set of fiscal records for financial aid, including a chart of accounts, general ledger and subsidiary ledgers, including lists of disbursements to students.
9. Original canceled checks, bank statements, deposit slips, checkbook or check roster and any back up documentation for cash request to ED Payments (EDPMTS) or Education Central Automated Processing System (EDCAPS).
10. Federal Pell Grant Program Institutional Payment Summaries (IPS), and Statements of Accounts (SOA), Recipient Financial Management System (RFMS) data and Common Origination and Disbursement data.
11. Policies and procedures manual pertaining to the administration of Title IV programs.
12. Sample FSA forms used by your institution in operating its aid programs, such as any institutional applications for aid, contract/enrollment agreements and admission applications, tuition account cards, institutional verification forms, and student certification forms.
13. Sample worksheets used for administering Title IV funds, such as refund calculation worksheets, FFEL proration worksheets, etc.

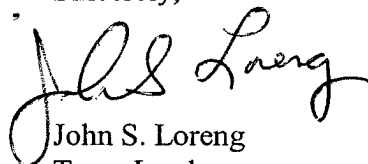
14. Cost of attendance budgets for all programs offered by the institution.
15. A copy of the institution's Perkins loan promissory note and disclosure statement and a copy of any servicer contract (if applicable).
16. Copies of academic program approval notices issued by the state education department for each course offered by your school.
17. A copy of the latest letter issued by your accrediting body evidencing the accredited status of your school.
18. Copies of any contracts with third party servicers (e.g. financial aid, Perkins, ATE tester, etc.).
19. Type of software programs used in administering Title IV.
20. A copy of the institution's program participation agreement (PPA) and Eligibility and Certification Approval Report (ECAR).
21. Copies of the institution's financial statements for the last two fiscal years.
22. Refund repayment and refund distribution policies and satisfactory academic progress standard.
23. A copy of the institution's Campus Security Reports.
24. Copies of any rules or regulations of your accrediting or licensing bodies.

The reviewers will provide a listing of a sample of students who received Title IV funds at your institution. For each of those students, the school must provide all academic, financial aid, and disbursement records which document the students' eligibility for, and receipt of, Title IV funds.

Additional records may be requested at the onset, and during the review as needed. These records may not be limited to the award years specified above. We will do our best to ensure that this visit is conducted as expeditiously as possible.

If you have any questions, please call Ms. Mangin at (215) 656-6459. Thank you for your cooperation.

Sincerely,



John S. Loreng
Team Leader

cc: Ms. Cristal Garland, Financial Aid Administrator

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY

PITTSBURGH, PENNSYLVANIA

EIN NUMBER: 251548137

OPE ID NUMBER: 03006800

DUNS NUMBER: (b)(2)

COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

at PITTSBURGH, PENNSYLVANIA

FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM (84.007)
FEDERAL FAMILY EDUCATION LOAN PROGRAM (84.032)

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003

ALMICH & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

TABLE OF CONTENTS

	<u>Page</u>
Auditor Information Sheet	1
Independent Accountants' Report on Compliance with Specified Requirements Applicable to the SFA Programs	3
Schedule of Management's Assertions Regarding Specified Compliance Requirements	4
Schedule of Findings and Questioned Costs (including population and sample summaries and definition of material non-compliance)	5
Summary Schedules A, B and C	20
Auditors' Comments on Resolution Matters Relating to Prior Audit Findings	23

AUDITOR INFORMATION SHEET

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
 DBA PENNSYLVANIA CULINARY
 717 LIBERTY AVENUE
 1200 CLARK BUILDING
 PITTSBURGH, PENNSYLVANIA 15222
 EIN NUMBER: 251548137
 OPE ID NUMBER: 03006800
 DUNS NUMBER: (b)(2)
 TEL. NO.: 412-566-2433
 FAX NO.: 412-471-8019
 PRESIDENT: Lawrence Galley
 CONTACT PERSON & TITLE: Jennifer Burns
 Director of Financial Aid

LEAD AUDITOR : John F. Woll
 LICENSE NUMBER : Home State: 51024 Out of State(s): CA-037786-L
 ENGAGEMENT PARTNER : Linda H. Cooley
 FIRM'S NAME : Almich & Associates
 ADDRESS : 19000 MacArthur Blvd., Suite 610
 Irvine, CA 92612
 TEL. NO. : (949) 475-5410
 FAX NO. : (949) 475-5412

Programs Examined:

FSEOG	§4.007	X
FFELP	§4.032	X
FWS	§4.033	
FPL	§4.038	
Pell	§4.063	X
FDLP	§4.268	

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	<u>N/A</u>
Regular students enrolled in correspondence courses	<u>N/A</u>
Regular students that are incarcerated	<u>N/A</u>
Regular students enrolled based on ability to benefit	<u>N/A</u>
For short term programs:	
Completion	<u>N/A</u>
Placement	<u>N/A</u>

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

All Locations	>50% of Program Offered @ Site	Location On Eligibility Letter	Notice to ED Prior to Offering Instruction	Date		Of CPA's Last Visit	Exclusion Reason
				Opened	Closed		
Pittsburgh, PA Main Campus	Yes	Yes	Yes	1986	N/A	2/25 - 2/27/04	N/A

Expanded Sample Testing: June 7, 2004

Institution's Primary Accrediting Organization: Accrediting Commission of Career Schools and Colleges of Technology

Other Accrediting Organizations: American Culinary Federation Educational Institute

Records for the accounting and administration of the SFA programs are located at:

Main Campus:

**Pennsylvania Institute Of Culinary Arts
dba Pennsylvania Culinary
717 Liberty Avenue
1200 Clark Building
Pittsburgh, Pennsylvania 15222**

Service Information:

The Institution did not utilize a third-party service during the audit period. As such, the service information section of this report is not applicable.

ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

REPORT ON COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE SFA PROGRAMS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Pennsylvania Institute of Culinary Arts
dba Pennsylvania Culinary:

We have examined management's assertions that Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the specified compliance requirements, listed on the accompanying schedule, regarding Institutional Eligibility, Reporting, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting, Student Eligibility, Disbursements, Refunds/Return of Title IV Funds, GAPS and Cash Management, Perkins Loans, and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2003. Management is responsible for Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with those requirements. Our responsibility is to express an opinion on Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with specified requirements.

Our examination disclosed the following material non-compliance with Refund/Return of Title IV Funds compliance requirements applicable to Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary during the year ended December 31, 2003. As more fully discussed in Finding No. 03-5, Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary was not in compliance with Refund/Return of Title IV funds compliance requirements with respect to timely payment of refunds.

In our opinion, except for the material non-compliance described in the third paragraph, Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2003.

This report is intended solely for the information and use of the board of directors, management, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
June 8, 2004

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A

1. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide.
5. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide, except for the payment and timeliness of some refunds, as defined by the ED SFA Guide.
6. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary does not participate in the Federal Perkins Loan Program. As such, Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

POPULATION SUMMARY

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 3,044,759	\$ 18,734,216	\$ -	\$ 364,150	\$ -	\$ -
Students	1,038	1,958	-	457	-	-

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 2,429,134	\$ 16,515,676	\$ -	\$ 272,950	\$ -	\$ -
Students	794	1,600	-	341	-	-
Sample -						
Dollars	\$ 76,350	\$ 506,548	\$ -	\$ 7,200	\$ -	\$ -
Students	26	49	-	8	-	-

Withdrew, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 615,625	\$ 2,218,540	\$ -	\$ 91,200	\$ -	\$ -
Students	244	358	-	116	-	-
Dollars Refunded	\$ 144,453	\$ 1,073,198	\$ -	\$ 4,457	\$ -	\$ -
Students with Refunds	105	297	-	13	-	-
Sample -						
Dollars	\$ 42,225	\$ 129,736	\$ -	\$ 6,900	\$ -	\$ -
Students	18	23	-	6	-	-
Dollars Refunded	\$ 8,621	\$ 51,361	\$ -	\$ -	\$ -	\$ -
Students with Refunds	6	16	-	-	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	2,027
Enrolled, graduated or students on an approved leave of absence	1,627
Withdrew, dropped or terminated students	400
Benchmark withdrawal rate	19.73%
Sample criteria	Approach 1
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	25
Total number of students with refunds paid in universe	323
Total number of students with refunds paid in sample	17

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	\$ 8,254	\$ 22,999	\$ -	\$ 3,750	\$ -	\$ -
Students	8	7	-	5	-	-

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	<u>Percent instances of non-compliance</u>
1. Institutional Eligibility and Participation	0%
2. Reporting	10%
3. Student Eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due diligence	10%
8. Administrative Capability	0%

Refund Timeliness

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than two student refunds) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than two student refunds) of refunds are *issued prior* to their due date but *clear* the bank more than 15 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than two student refunds) late refunds based on this definition of material non-compliance.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-1 (Repeat Finding)

Statement of Condition

Verification was not always completed prior to disbursement of funds.

Criteria

Federal regulations require that institutions verify certain need analysis data for students selected for verification by the U.S. Department of Education and for any student whose file contains conflicting data. Under certain conditions for the Federal Pell and campus-based programs, the institution may make initial payment to the student for the first payment period while verification is being completed. If the student graduates or withdraws prior to completing verification, the institution is liable for the amount(s) disbursed.

Effect

Of the 75 files tested, the files of 5 students selected for verification contained incomplete or missing information. For Student No. 1, there was an error on Worksheet A. For Student No. 2, there was an error on Worksheet A and the verification worksheet was missing. For Student No. 3, there was an error with respect to taxes paid. For Student No. 4, there was an error with respect to child support reported. For Student No. 5, the tax return and verification worksheet were missing. The students received net Title IV aid as follows:

<u>Student No.</u>	<u>Award Year</u>	<u>Amount</u>	<u>Title IV Program</u>
1	2002-03	\$ 1,697	Federal Subsidized Stafford Loan
2	2003-04	2,025	Federal Pell Grant
		448	Federal Subsidized Stafford Loan
3	2002-03	725	Federal Pell Grant
		2,547	Federal Subsidized Stafford Loan
4	2002-03	2,000	SEOG
		1,697	Federal Subsidized Stafford Loan
5	2002-03	1,125	Federal Pell Grant
		450	SEOG
		3,394	Federal Subsidized Stafford Loan
Total Net Aid Disbursed		<u>\$16,108</u>	

Cause

The Institution did not always apply its procedures for obtaining and reviewing complete documentation with respect to verification.

Recommendation

The Institution should follow its procedures for obtaining and reviewing documentation for verified student files.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-1 (Repeat Finding) - Continued

Additional Information

The Institution re-calculated the need analysis for Student Nos. 1, 3 and 4. We reviewed the revised documents and determined that there was no change in the eligibility for Student Nos. 1 and 4. For Student No. 3, there was an increase in the amount of Federal Pell eligibility in the amount of \$350. The Institution credited this amount to the student's account from institutional funds. For Student Nos. 2 and 5, the Institution refunded all Title IV aid received. We reviewed documentation of the electronic funds transfer. There are no remaining questioned costs for this finding.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-2

Statement of Condition

Conflicting information with respect to student eligibility was not resolved prior to disbursement in student files.

Criteria

Institutions are required to resolve conflicting information that may result when student's applications for financial assistance are processed through the U.S.D.E. Central Processing System.

Effect

Of the 75 files tested for student eligibility, 1 student's Institutional Student Information Record (ISIR) contained a comment that the student was in default, and this conflict was not satisfactorily resolved. For a 2nd student, the ISIR contained a comment that the selective service registration could not be confirmed. In addition, this conflict was not satisfactorily resolved. The students received net Title IV aid as follows:

<u>Student No.</u>	<u>Award Year</u>	<u>Amount</u>	<u>Title IV Program</u>
1	2003-04	\$ 600	SEOG
2	2002-03	3,394	Federal Subsidized Stafford Loan
Total Net Aid Disbursed		<u>\$ 3,994</u>	

Cause

The Institution's procedures for determining a student's aid eligibility and resolving conflicting information were not applied in these cases.

Recommendation

The Institution should follow its procedures for determining a student's aid eligibility and resolving conflicting information reported on the ISIR.

Additional Information

Upon learning of this finding, the Institution initiated a refund in the amount of \$3,394 to the Federal Subsidized Stafford loan, and \$600 to the SEOG account. We reviewed documentation of the electronic funds transfer. There are no remaining questioned costs for this finding.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-3 (Repeat Finding)

Statement of Condition

One student was overawarded in Federal Pell Grant funds.

Criteria

An institution is required to pro-rate loan and Federal Pell award amounts, perform need analysis calculations and review prior aid history to ensure that students are appropriately awarded.

Effect

In 1 of 44 Federal Pell Grant files tested, one student was overawarded in 2002-03 Federal Pell Grant funds in the amount of \$675.

Cause

The Institution did not follow its procedures with respect to the awarding of Title IV funds in this isolated case.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

Upon learning of this finding, the Institution returned \$675 to the Federal Pell Grant Program. We reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-4

Statement of Condition

The Institution reported the enrollment status to the National Student Loan Data System (NSLDS) for certain students in error.

Criteria

Institutions are required to accurately report a student's changes in enrollment status and notify NSLDS within 60 days of a student's change in enrollment status. The institution may utilize the Student Status Confirmation Report for notification if the report will be submitted within 60 days of the status change. Accurate and timely reporting of student status changes is essential because the last day of attendance on at least a half-time basis triggers the beginning of the borrower's grace period. Incorrect reporting of student status changes may result in federal interest subsidies being paid toward loans that should be in repayment and are no longer eligible for the subsidies.

Effect

In 2 of 72 FFELP files tested, the students' enrollment status changes were not reported in a timely manner.

Cause

The Institution's procedures with respect to accurate reporting to NSLDS of borrowers' enrollment status changes were not always closely followed.

Recommendation

The Institution should more closely follow its procedures to ensure that student enrollment status changes are reported correctly and timely to NSLDS.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-5 (Repeat Finding)

Statement of Condition

Returns of Title IV funds for certain students were not made in a timely manner.

Criteria

The U.S. Department of Education requires that payments made under the Return of Title IV funds provisions be returned within 30 days of a student's official withdrawal date and clear the bank within 45 days of the withdrawal date (34 CFR 668.22). These regulations, which became effective July 1, 2003, were implemented by the Institution on November 1, 2002, an option allowed in the final regulation package. The U.S. Department of Education considers a refund to be paid when it clears the bank.

Effect

Return of Title IV funds payments were not paid within the required time frame for 3 of the 25 student files tested for refund compliance. The late payments associated with this finding are as follows:

Student No.	Amount of Refund	Program Paid	Determination LDA	Determination Date	Check Issue Date	Check Issue Date	Check Cancellation Date	Check Cancellation Due Date	Days Late
1	\$ 2,025	Pell	8/25/03	10/31/03	1/23/04	11/30/03	1/23/04	12/15/03	54
2	700	Pell	10/3/03	10/31/03	1/23/04	11/30/03	1/23/04	12/15/03	9
3	1,940	FFEL	9/16/03	10/14/03	11/18/03	11/13/03	11/21/03	11/28/03	8
	1,273	FFEL	9/16/03	10/14/03	11/18/03	11/13/03	11/21/03	11/28/03	8

Cause

The refunds noted above were not written in a timely manner, and, in these cases, it appears that the Institution's control procedures for processing refunds and Return of Title IV funds payments were not always followed.

Recommendation

The Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Returns of Title IV funds payments are strictly followed.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-5 (Repeat Finding) - Continued

Additional Information

Based on our definition of material non-compliance on page 6 of this report, an expanded sample related to the finding was required. (Also, see Finding No. 03-9). We expanded our sample by an additional 59 students for refund payment and timeliness to achieve a confidence level of 95% with a confidence interval of $\pm 5\%$. The expanded sample testing resulted in the identification of 3 additional students with late refunds, which are included in the attached summary schedule C. Based on our original sample plus the expanded sample, refunds for 6 of the 84 withdrawn students tested were paid late based on the canceled check date.

In addition, the expanded sample testing resulted in the identification of 3 students with returns of ineligible disbursements that were not paid. The students are included on the accompanying summary schedule B.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedules B and C.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-6

Statement of Condition

Documentation of a dependency override was lacking from one student's file.

Criteria

Federal regulations state that in unusual circumstances, a student who does not meet any of the dependency criteria may still be considered independent based on the financial aid administrator's professional judgment. The aid administrator must make this decision on an individual (case-by-case) basis and must document the reason(s) for the decision.

Effect

Of 75 files tested for student eligibility, 1 student's file was missing documentation of a dependency override for the 2002-03 award year. The student received a Federal Pell Grant in the amount of \$575, SEOG in the amount of \$350, a Federal Subsidized Stafford loan in the amount of \$2,547 and an Unsubsidized Stafford loan in the amount of \$3,880. Total net Title IV aid received was \$7,352.

Cause

In this isolated case, the Institution did not apply its procedures for documenting a student's file whenever a dependency override was done.

Recommendation

The Institution should follow its procedures for documenting dependency override decisions in a student's file.

Additional Information

The Institution refunded to Federal Pell in the amount of \$575, and the SEOG in the amount of \$350. We reviewed documentation of the electronic funds transfer.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedules A, as Item F, "No Financial Need".

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-7 (Repeat Finding)

Statement of Condition

Students were underawarded in Federal Pell Grant funds.

Criteria

An institution is required to pro-rate loan and Federal Pell award amounts, perform need analysis calculations and review prior aid history to ensure that students are appropriately awarded.

Effect

In 2 of 44 Federal Pell Grant files tested, the students were underawarded in 2003-04 Federal Pell Grant funds in the amount of \$100.

Cause

The Institution did not follow its procedures with respect to the awarding of Title IV funds in this isolated case.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

Upon learning of this finding, the Institution disbursed \$50 of Federal Pell Funds to each student's account. We reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-8

Statement of Condition

One student received SEOG funds but was not eligible.

Criteria

To receive a Federal Supplemental Opportunity Grant (SEOG), a student must meet eligibility requirements. In addition, a student who has earned a bachelor's or first professional degree is not eligible to receive SEOG funds.

Effect

Of 14 SEOG files tested, 1 student received SEOG funds, but was not eligible. The student stated that they had earned a bachelor's degree. Therefore, the student was not eligible for SEOG funds. The student received \$350 of SEOG funds.

Cause

In this isolated instance, the Institution did not follow its procedures with respect to the awarding and delivery of Title IV funds.

Recommendation

The Institution should closely monitor its procedures to ensure that students are appropriately awarded, and funds are delivered, in accordance with applicable rules and regulations.

Additional Information

Upon learning of this finding, the Institution refunded the SEOG funds in the amount of \$350. We reviewed the documentation of the electronic funds transfer.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-9 (Repeat Finding)

Statement of Condition

Returns of Title IV funds for certain students were not paid.

Criteria

The U.S. Department of Education requires that payments made under the Return of Title IV funds provisions be returned within 30 days of a student's official withdrawal date and clear the bank within 45 days of the withdrawal date (34 CFR 668.22). These regulations, which became effective July 1, 2003, were implemented by the Institution on November 1, 2002, an option allowed in the final regulation package. The U.S. Department of Education considers a refund to be paid when it clears the bank.

Effect

Return of Title IV funds payments were not paid for 3 of the 25 student files tested for refund compliance. The details associated with this finding are as follows:

<u>Student No.</u>	<u>Amount of Refund</u>	<u>Title IV Program</u>	<u>LDA</u>	<u>Determination Date</u>
1	\$ 500	Pell	12/19/03	12/30/03
2	1,710	Pell	11/7/03 10/31/0	12/9/03
3	919	Pell	3	12/2/03

Cause

The refunds noted above were not paid, and, in these cases, it appears that the Institution's control procedures for processing refunds and Return of Title IV funds payments were not always followed.

Recommendation

The Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Returns of Title IV funds payments are strictly followed.

Additional Information

Upon learning of this finding, the Institution paid the Returns of Title IV funds for the 3 students. We reviewed the documentation of the electronic funds transfers.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-9 (Repeat Finding) - Continued

Additional Information-Continued

Based on our definition of material non-compliance on page 6 of this report, an expanded sample related to the finding was required. (See results in Finding No. 03-5.)

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

FINDING NO. 03-10

Statement of Condition

A loan application was incorrectly certified as a Federal Subsidized Stafford Loan when it should have been a Federal Unsubsidized Stafford Loan.

Criteria

If estimated financial aid plus expected family contribution exceeds the cost of attendance budget, a student is not eligible for a Federal Subsidized Stafford loan. The student is only eligible to apply for a Federal Unsubsidized Stafford loan.

Effect

Of 72 FFELP files tested, 1 student received a Federal Subsidized loan in the amount of \$3,395. The student's expected family contribution exceeded the cost of attendance budget. The student was therefore only eligible for a Federal Unsubsidized Stafford Loan.

Cause

The Institution did not follow its procedures in properly making awards to students based on federal eligibility criteria.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

Upon notification of this finding, the Institution reallocated the Federal Subsidized Stafford loan to a Federal Unsubsidized Stafford loan. We reviewed the documentation from the lender.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
 DBA PENNSYLVANIA CULINARY
 PITTSBURGH, PENNSYLVANIA
 FOR THE YEAR ENDED DECEMBER 31, 2003

Summary Schedule A: STUDENT ELIGIBILITY

Student/ Number	Student File Not Found	Net A Regular Student	Enrolled < 1/2 Time	Non- Eligible Citizen	Invalid SSN	No Financial Need	SFA Exceeds Need	Under Compulsory HS Age	ED Purpose	On Overpayments & Debits	Incomplete Verification	Not Making SAP	Failed ATB Test	ATB Not Documented	Missing FATS	Quantified Costs						
																FPEL	FPELL	FSDOG	FWS	PPL	Total	
B1											X					\$ 1,697						\$ 1,697
B2											X					448	2,025					2,473
B3											X					2,547	725					3,272
A1											X					1,697		2,000				3,697
A2											X					3,394	1,125	450				4,969
B4										X							600					600
A3										X						3,394						3,394
B5										X								675				675
A4						X										9,822	575	350				10,747
A5							X											350				350
Total						1	1		3		5					\$ 22,999	\$ 5,125	\$ 3,750				\$ 31,874

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

The Institution's compliance audit for the fiscal year ended December 31, 2002, dated February 28, 2003, was performed by Almich & Associates.

The Institution has not received a final audit determination letter from the U.S. Department of Education.

The findings noted in the independent auditors' report, and corrective actions taken, are as follows:

Finding No. 02-1 (Repeat Finding)

The auditors found that a Return of Title IV funds payment was not paid within the required time frame for 1 of 25 student files tested for refund compliance.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that all Return of Title IV funds are now tracked on a refund tracking spreadsheet to assure clearance before the required deadline. As noted in Finding No. 03-5 of this audit report, the Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Return of Title IV funds payments are strictly followed.

Finding No. 02-2

The auditors found that, in 6 of 75 FFELP files tested, the documentation indicated that exit counseling was not performed in a timely manner.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that it has enhanced its procedures to ensure that exit counseling materials are provided to students within the required timeframe. We found no exceptions with respect to exit counseling not being performed in a timely manner during our file testing for the current audit period.

Finding No. 02-3

The auditors found that, in 1 of 29 Federal Pell Grant files tested, one student was underawarded in 2002-03 Federal Pell Grant funds in the amount of \$200. Upon learning of this finding, the Institution disbursed \$200 of Federal Pell Funds to the student's account. The auditors reviewed the documentation.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that additional training and reinforcement of existing procedures has been completed to ensure proper procedures are followed when awarding Title IV funds. As noted in Finding No. 03-7 of this audit report, the Institution should take steps to ensure that its procedures for the correct awarding of Title IV funds are strictly followed.

Finding No. 02-4

The auditors found that, of 75 FFELP files tested, 2 dependent students received Federal Unsubsidized Stafford Loans without appropriate documentation. Student No. 1 received \$3,880. Student No. 2 received \$3,960. The students were appropriately awarded all other aid received as dependent students. For Student No. 1, the Institution returned \$3,880 (Ck #5238) to the Federal Family Educational Loan Program. The auditors reviewed a copy of the check; however, a cancelled check was not available. Remaining questioned costs for this finding are \$3,960 for Student No. 2.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that procedures have been implemented to ensure documentation of parent loan denials is consistently maintained in student files. The Institution refunded the remaining questioned costs for this finding. We reviewed a copy of the canceled checks. We found no exceptions with respect to missing PLUS loan denial letters during our file testing for the current audit report period.

Finding No. 02-5 (Repeat Finding)

The auditors found that, of the 75 files tested, the files of 2 students selected for verification contained incomplete information. For Student No. 1, all verification documents were missing. For Student No. 2, the student's tax form was not signed. The Institution initiated a refund in the amount of \$637 for Student No. 1. The auditors reviewed the documentation. The Institution obtained the signed tax form for Student No. 2. The auditors reviewed the document and found it to be accurate. The student remained eligible for all funds received.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that it has enhanced its procedures for obtaining and reviewing documentation for verified student files. As noted in Finding No. 03-1 of this audit report, the Institution should follow its procedures for obtaining and reviewing complete documentation with respect to verification.

Finding No. 02-6

The auditors found that, in 1 of 29 Federal Pell Grant files tested, one student was overawarded in 2002-03 Federal Pell Grant funds in the amount of \$700. Upon learning of this finding, the Institution returned \$700 to the Federal Pell Grant Program. The auditors reviewed the documentation.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that additional training and reinforcement of existing procedures has been completed to ensure that proper procedures are followed when awarding Title IV funds. As noted in Finding No. 03-3 of this audit report, the Institution should take steps to ensure that its procedures for the correct awarding of Title IV funds are strictly followed.

Finding No. 02-7

The auditors found that, of 29 Federal Pell Grant files tested, 6 students were eligible for Federal Pell Grant funds that were not paid. Upon learning of this finding, the Institution disbursed the appropriate funds to 3 of the 6 students who remained eligible for the funds, and the auditors reviewed the documentation.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that it has implemented a procedure to ensure that all students eligible to receive Federal Pell funds are awarded and disbursed accordingly. We found no exceptions with respect to students not being appropriately awarded and disbursed funds for which they are entitled during our file testing for the current audit period.



Corrective Action Plan

Pennsylvania Institute of Culinary Arts DBA Pennsylvania Culinary Institute

EIN Number: 251548137

OPE ID: 03006800

DUNS Number: (b)(2)

Corrective Action Plan for the Fiscal Year Ending December 31, 2002.

FINDING 02-1: – A Return of Title IV funds for one student was not made in a timely manner.

The institution concurs with the finding.

The funds were returned to the borrower. No further action is required.

All refunds calculations are processed within 3 days after the students Date of Determination. All return of funds is now processed through ELM electronically, which assists in timely processing of all refunds. In addition, all return of funds is now tracked on a refund tracking spreadsheet to assure clearance before the 30-day required deadline. Staff also participates in on-going training to assure that all refunds are made accurately and timely.

FINDING 02-2: – Federal Family Loan Program (FFELP) exit counseling was not always performed in a timely manner.

The institution concurs with the finding.

The exit counseling materials have been mailed to the students'. No further action is required.

The institution has enhanced its procedures to ensure exit counseling materials are provided to students within the 30 days required from the date the institution learns that the student has left school or dropped below half time. These procedures include automated functions in the system that trigger the appropriate documentation upon a students change in status, in addition, all information will be tracked through the document tracking function. Staff has been trained on this new process and will adhere to set procedures.

FINDING 02-3: – One student was under-awarded in Federal Pell Grant Funds.

The institution concurs with the finding.

Upon learning of this finding, the Institution disbursed the amount of under-awarded Federal Pell Grant funds to the student's account. No further action is required.



Additional training and reinforcement of existing procedure has been completed to ensure that proper procedures are followed when awarding Title IV funds to students.

FINDING 02-4: – Dependent students were awarded Federal Unsubsidized Stafford Loans without documentation of parent loan denial.

The institution concurs with the finding.

Upon learning of this finding the Institution returned the Federal Unsubsidized Stafford Loans to the FFELP program. No further action is required.

Procedures have been implemented to ensure that documentation of parent loan denials is consistently maintained in the student file. In order to ensure this the following procedure has been implemented:

1. The financial aid advisor collects the appropriate documentation, and awards the student accordingly.
2. The file is then reviewed a second time for quality assurance prior to disbursement of funds.

FINDING 02-5: – Verification was not always completed prior to disbursement of funds.

The institution concurs with the finding.

The institution performed verification and returned the appropriate funds. No further action is required.

The institution will follow its procedures for obtaining and reviewing documentation for verified student files. In addition, the campus has enhanced its procedures:

1. A verification checklist within Campus 2000 is used to ensure that all verification documents are collected and verified prior to disbursement of funds.
2. The Financial Aid Advisor processes the student file. The file is then reviewed a second time for quality assurance by a certifying officer prior to certification of loans and disbursement of funds.

FINDING 02-6: – One student was over-awarded in Federal Pell Grant Funds.

The institution concurs with the finding.

Upon learning of this finding, the Institution returned funds. No further action is required.

Additional training and reinforcement of existing procedure has been completed to ensure that proper procedures are followed when awarding Title IV funds to students. On-going training has been implemented



FINDING 02-7: – Certain students were not paid Federal Pell Grant funds to which they were entitled.

The institution concurs with the finding.

Upon learning of this finding, the institution reviewed its Federal PELL grant records and disbursed amounts according to the students' eligibility. No further action is required. A procedure has been implemented to ensure all students eligible to receive PELL are awarded and disbursed accordingly. The institution will review the Estimated Family Contribution's (EFC's), indicated on the ISIR Summary Report to ensure all eligible students have been awarded. On-going training is in place to reinforce the requirements surrounding the Federal Pell Grant program.

L. Kelly, PRESIDENT
President's Name
President

10-23-03
Date

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY

PITTSBURGH, PENNSYLVANIA

EIN NUMBER: 251548137

OPE ID NUMBER: 03006800

DUNS NUMBER: (b)(2)

COMPLIANCE ATTESTATION EXAMINATION
OF THE TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

at PITTSBURGH, PENNSYLVANIA

FEDERAL PELL GRANT PROGRAM (84.063)
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY
GRANT PROGRAM (84.007)
FEDERAL FAMILY EDUCATION LOAN PROGRAM (84.032)

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002

ALMICH & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

TABLE OF CONTENTS

	<u>Page</u>
Auditor Information Sheet	1
Independent Accountants' Report on Compliance with Specified Requirements Applicable to the SFA Programs	3
Schedule of Management's Assertions Regarding Specified Compliance Requirements	4
Schedule of Findings and Questioned Costs (including population and sample summaries and definition of material non-compliance)	5
Summary Schedules A, B and C	14
Auditors' Comments on Resolution Matters Relating to Prior Audit Findings	17

AUDITOR INFORMATION SHEET

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
 DBA PENNSYLVANIA CULINARY
 717 LIBERTY AVENUE
 1200 CLARK BUILDING
 PITTSBURGH, PENNSYLVANIA 15222
 EIN NUMBER: 251548137
 OPE ID NUMBER: 03006800
 DUNS NUMBER: (b)(2)
 TEL. NO.: 412-566-2433
 FAX NO.: 412-471-8019
 PRESIDENT: Lawrence Galley
 CONTACT PERSON & TITLE: Jennifer Burns
 Director of Financial Aid

LEAD AUDITOR : John F. Woll
 LICENSE NUMBER : Home State: 51024 Out of State(s): CA-037786-L
 ENGAGEMENT PARTNER : Linda H. Cooley
 FIRM'S NAME : Almich & Associates
 ADDRESS : 19000 MacArthur Blvd., Suite 610
 Irvine, CA 92612
 TEL. NO. : (949) 475-5410
 FAX NO. : (949) 475-5412

Programs Examined:

FSEOG	84.007	X
FFELP	84.032	X
FWS	84.033	
FPL	84.038	
Pell	84.063	X
FDLP	84.268	

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence or telecommunication courses to total courses	<u>N/A</u>
Regular students enrolled in correspondence courses	<u>N/A</u>
Regular students that are incarcerated	<u>N/A</u>
Regular students enrolled based on ability to benefit	<u>N/A</u>
For short term programs:	
Completion	<u>N/A</u>
Placement	<u>N/A</u>

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

All Locations	>50% of Program Offered @ Site	Location On Eligibility Letter	Notice to ED Prior to Offering Instruction	Date		Of CPA's Last Visit	Exclusion Reason
				Opened	Closed		
Pittsburgh, PA Main Campus	Yes	Yes	Yes	1986	N/A	2/26 - 2/28/03	N/A

Institution's Primary Accrediting Organization: Accrediting Commission of Career Schools and Colleges of Technology

Other Accrediting Organizations: American Culinary Federation Educational Institute

Records for the accounting and administration of the SFA programs are located at:

Main Campus:

**Pennsylvania Institute Of Culinary Arts
dba Pennsylvania Culinary
717 Liberty Avenue
1200 Clark Building
Pittsburgh, Pennsylvania 15222**

Service Information:

The Institution did not utilize a third-party service during the audit period. As such, the service information section of this report is not applicable.

ALMICH & ASSOCIATES

AN ACCOUNTANCY CORPORATION

• Certified Public Accounting and Business Services •

REPORT ON COMPLIANCE WITH SPECIFIED REQUIREMENTS APPLICABLE TO THE SFA PROGRAMS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Pennsylvania Institute of Culinary Arts
dba Pennsylvania Culinary:

We have examined management's assertions that Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the specified compliance requirements, listed on the accompanying schedule, regarding Institutional Eligibility, Reporting, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting, Student Eligibility, Disbursements, Refunds/Return of Title IV Funds, GAPS and Cash Management, Perkins Loans, and Administrative Capability listed in Section II of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2002. Management is responsible for Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with those requirements. Our responsibility is to express an opinion on Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary's compliance with specified requirements.

In our opinion, Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2002.

This report is intended solely for the information and use of the board of directors, management, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Almich & Associates

Irvine, California
February 28, 2003

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF MANAGEMENT'S ASSERTIONS REGARDING
SPECIFIED COMPLIANCE REQUIREMENTS ^A

1. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide.
2. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Reporting requirements, Pell Grant reporting, Loan reporting (including SSCRs) and FISAP reporting listed in Section II of the ED SFA Guide.
3. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide.
4. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Disbursements compliance requirements listed in Section II of the ED SFA Guide.
5. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Refund/Return of Title IV Funds compliance requirements listed in Section II of the ED SFA Guide.
6. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide.
7. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary does not participate in the Federal Perkins Loan Program. As such, Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Federal Perkins Loan Collections, Due Diligence and NSLDS compliance requirements listed in Section II of the ED SFA Guide.
8. Pennsylvania Institute of Culinary Arts dba Pennsylvania Culinary complied with the Administrative Capability compliance requirements listed in Section II of the ED SFA Guide.

^A Reference to the ED SFA Guide refers to the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, prepared by the U.S. Department of Education, Office of Inspector General, 2000 Revision.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

POPULATION SUMMARY*

Total population:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 1,739,197	\$ 16,027,965	\$ -	\$ 218,248	\$ -	\$ -
Students	737	1,845	-	602	-	-

Enrolled, graduated or students on an approved leave of absence:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 1,583,654	\$ 15,102,095	\$ -	\$ 191,693	\$ -	\$ -
Students	624	1,571	-	510	-	-
Sample -						
Dollars	\$ 52,300	\$ 425,446	\$ -	\$ 5,350	\$ -	\$ -
Students	19	50	-	13	-	-

Withdrew, dropped or terminated students:

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Universe -						
Dollars	\$ 155,543	\$ 925,870	\$ -	\$ 26,555	\$ -	\$ -
Students	113	274	-	92	-	-
Dollars Refunded	\$ 390,334	\$ 766,330	\$ -	\$ 5,545	\$ -	\$ -
Students with Refunds	33	215	-	15	-	-
Sample -						
Dollars	\$ 6,125	\$ 116,628	\$ -	\$ 1,050	\$ -	\$ -
Students	10	25	-	3	-	-
Dollars Refunded	\$ 370	\$ 47,475	\$ -	\$ -	\$ -	\$ -
Students with Refunds	1	21	-	-	-	-

Benchmark withdrawal rate calculation and sample criteria:

Total students in universe	1,876
Enrolled, graduated or students on an approved leave of absence	1,589
Withdrew, dropped or terminated students	287
Benchmark withdrawal rate	15.30%
Sample criteria	Approach 1
Number of students selected from enrolled, graduated or students on approved leave of absence	50
Number of students selected from withdrew, dropped or terminated students	25
Total number of students with refunds paid in universe	220
Total number of students with refunds paid in sample	21

Summary of questioned costs from noncompliance (See accompanying findings):

	Pell	FFELP	FDL	FSEOG	FPL	FWS
Dollars	\$ 700	\$ 9,750	\$ -	\$ -	\$ -	\$ -
Students	1	4	-	-	-	-

*Amounts disbursed are net of Title IV refunds paid.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

DEFINITION OF MATERIAL NON-COMPLIANCE

The following thresholds, in relation to management's assertions, have been established with respect to material non-compliance. If the instances of non-compliance exceed these thresholds of materiality, the exceptions are considered material requiring appropriate further action:

	<u>Percent instances of non-compliance</u>
1. Institutional Eligibility and Participation	0%
2. Reporting	10%
3. Student Eligibility	10%
4. Disbursements	10%
5. Refund Compliance (except timeliness as to which the percentage is 5% - see Refund Timeliness discussion below)	10%
6. Cash Management	5% of federal Title IV funds
7. Perkins Collections and Due diligence	10%
8. Administrative Capability	0%

Refund Timeliness

With respect to refund timeliness, all instances of non-compliance are reported in the schedules of findings and questioned costs when the refund check clearance date exceeds the required timeframe prescribed in regulation. Expanded samples are performed based on the following criteria:

- (a) If more than 5% (and more than one student refund) of refunds are *issued and cleared* the bank after the required timeframe.
- (b) If more than 5% (and more than one student refund) of refunds are *issued prior* to their due date but *clear* the bank more than 21 days after the required timeframe.
- (c) A combination of (a) and (b) above which yields more than 5% (and more than one student refund) late refunds based on this definition of material non-compliance.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
 DBA PENNSYLVANIA CULINARY
 PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-1 (Repeat Finding)

Statement of Condition

A Return of Title IV funds for one student was not made in a timely manner.

Criteria

The U.S. Department of Education requires that payments made under the Return of Title IV funds provisions be returned within 30 days of a student's official withdrawal date.

Effect

A Return of Title IV funds payment was not paid within the required time frame for 1 of 25 student files tested for refund compliance. The late payment associated with this finding is as follows:

Amount Of Refund	Program Paid	LDA	Withdrawal Date	Check Issue Date	Due Date	Check Cancellation Date	Days Late
\$ 3,440	PLUS	6/25/02	7/3/02	9/17/02	8/2/02	9/24/02	53

Cause

In this isolated case, it appears that the Institution's control procedures for processing refunds and Return of Title IV funds payments were not followed.

Recommendation

The Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Return of Title IV funds payments are strictly followed.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule C.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-2

Statement of Condition

Federal Family Education Loan Program (FFELP) exit counseling was not always performed in a timely manner.

Criteria

All institutions must provide exit counseling for FFELP borrowers in a timely manner and maintain documentation in each student borrower's file.

Effect

In 6 of 75 FFELP files tested, the documentation indicated that exit counseling was not performed in a timely manner.

Cause

The Institution's procedures for counseling borrowers in a timely manner were not uniformly applied.

Recommendation

The Institution should adhere to its procedures with respect to providing borrowers with loan exit counseling in a timely manner and maintain documentation in the student files.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule B.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-3

Statement of Condition

One student was underawarded in Federal Pell Grant funds.

Criteria

An institution is required to pro-rate loan and Federal Pell award amounts, perform need analysis calculations and review prior aid history to ensure that students are appropriately awarded.

Effect

In 1 of 29 Federal Pell Grant files tested, one student was underawarded in 2002-03 Federal Pell Grant funds in the amount of \$200.

Cause

The Institution did not follow its procedures with respect to the awarding of Title IV funds in this isolated case.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

Upon learning of this finding, the Institution disbursed \$200 of Federal Pell Funds to the student's account. We reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-4

Statement of Condition

Dependent students were awarded Federal Unsubsidized Stafford Loans without documentation of parent loan denial.

Criteria

Federal Unsubsidized Stafford Loans are only available to dependent students when a loan to the student's parents (PLUS) is denied or the file contains documentation of parents' inability to repay the parent loan.

Effect

Of 75 FFELP files tested, 2 dependent students received Federal Unsubsidized Stafford Loans without appropriate documentation. Student No. 1 received \$3,880. Student No. 2 received \$3,960. The students were appropriately awarded all other aid received as dependent students.

Cause

The Institution did not always follow its procedures in properly making awards to students based on federal dependency status criteria.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

For Student No. 1, the Institution returned \$3,880 (Ck #5238) to the Federal Family Educational Loan Program. We reviewed a copy of the check, however, a cancelled check was not available. Remaining questioned costs for this finding are \$3,960 for Student No. 2.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-5 (Repeat Finding)

Statement of Condition

Verification was not always completed prior to disbursement of funds.

Criteria

Federal regulations require that institutions verify certain need analysis data for students selected for verification by the U.S. Department of Education and for any student whose file contains conflicting data. Under certain conditions for the Federal Pell and campus-based programs, the institution may make initial payment to the student for the first payment period while verification is being completed. If the student graduates or withdraws prior to completing verification, the institution is liable for the amount(s) disbursed.

Effect

Of the 75 files tested, the files of 2 students selected for verification contained incomplete information. For Student No. 1, all verification documents were missing. For Student No. 2, the student's tax form was not signed. The students received net Title IV aid as follows:

<u>Student No.</u>	<u>Award Year</u>	<u>Amount</u>	<u>Title IV Program</u>
1	2002-03	\$ 637	Federal Subsidized Stafford Loan
2	2002-03	1,273	Federal Subsidized Stafford Loan
Total Net Aid Disbursed		<u>\$ 1,910</u>	

Cause

The Institution did not always apply its procedures for obtaining and reviewing complete documentation with respect to verification.

Recommendation

The Institution should follow its procedures for obtaining and reviewing documentation for verified student files.

Additional Information

The Institution initiated a refund in the amount of \$637 for Student No. 1. We reviewed the documentation. The Institution obtained the signed tax form for Student No. 2. We reviewed the document and found it to be accurate. The student remained eligible for all funds received.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-6

Statement of Condition

One student was overawarded in Federal Pell Grant funds.

Criteria

An institution is required to pro-rate loan and Federal Pell award amounts, perform need analysis calculations and review prior aid history to ensure that students are appropriately awarded.

Effect

In 1 of 29 Federal Pell Grant files tested, one student was overawarded in 2002-03 Federal Pell Grant funds in the amount of \$700.

Cause

The Institution did not follow its procedures with respect to the awarding of Title IV funds in this isolated case.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded.

Additional Information

Upon learning of this finding, the Institution returned \$700 to the Federal Pell Grant Program. We reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is included on the accompanying summary schedule A.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

FINDING NO. 02-7

Statement of Condition

Certain students were not paid Federal Pell Grant Funds to which they were entitled.

Criteria

An institution is required to ensure that eligible students receive SFA funds via credit to student tuition accounts or as direct payments for educational expenses.

Effect

Of 29 Federal Pell Grant files tested, 6 students were eligible for Federal Pell Grant funds that were not paid, as follows:

<u>Student No.</u>	<u>Award Year</u>	<u>Amount Unpaid</u>	<u>Title IV Program</u>
1	2002-03	\$2,000	Federal Pell Grant
2	2002-03	1,325	Federal Pell Grant
3	2001-02	1,150	Federal Pell Grant
4	2001-02	1,875	Federal Pell Grant
5	2001-02	1,875	Federal Pell Grant
6	2002-03	2,650	Federal Pell Grant

Cause

The Institution did not always follow its procedures with respect to the payment of Federal Pell Grant funds.

Recommendation

The Institution should closely follow its procedures to ensure that students are appropriately awarded and disbursed.

Additional Information

Upon learning of this finding, the Institution disbursed the appropriate funds to 3 of the 6 students who remained eligible for the funds, and we reviewed the documentation.

Summary Schedules A, B and C Reference

This finding is not included on the accompanying summary schedules A, B and C since there are no fields available for data entry.

PENNSYLVANIA INSTITUTE OF CULINARY ARTS
DBA PENNSYLVANIA CULINARY
PITTSBURGH, PENNSYLVANIA

AUDITORS' COMMENTS ON RESOLUTION MATTERS
RELATING TO PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2002

The Institution's compliance audit for the fiscal year ended December 31, 2001, dated February 28, 2002, was performed by Almich & Associates.

The Institution received a final audit determination letter from the U.S. Department of Education dated September 12, 2002 (ACN: 03-2001-26845). The determination letter required the Institution to take the necessary actions to correct any deficiencies noted. The auditor is required as part of the next audit report to comment on actions taken by the Institution to correct any findings noted in the audit report.

The findings noted in the independent auditors' report, and corrective actions taken, are as follows:

Finding No. 01-1

The auditors found that of 71 Federal Stafford Loan Program files tested, 1 student's entrance counseling document was missing. The Institution mailed the entrance counseling documents to the student. The auditors reviewed the documents and found them to be completed accurately.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provide training to ensure that entrance counseling is provided and documented prior to authorization and disbursement of Federal Stafford Loans. We found no exceptions with respect to missing entrance counseling documentation during our file testing for the current audit period.

Finding No. 01-2

The auditors found that of 75 files tested, the files of 4 students selected for verification contained incomplete information. The Institution provided resolution to the auditors for 2 of the students, and repaid \$900 to the Federal Pell Grant Program for a third student, which was confirmed by the auditors. Remaining questioned costs associated with this finding are \$2,024 for Student No. 4.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provide training and will implement internal quality control to ensure that verification is accurately completed prior to disbursement of Title IV funds. The Institution re-calculated the need analysis for Student No. 4 which resulted in a reduced Federal Pell Grant eligibility in the amount of \$600. The student remained eligible for all other aid received. The Institution repaid \$600 to the Federal Pell Grant Program and we reviewed the documentation. There are no remaining questioned costs associated with this finding. As noted in Finding No. 02-5 of this audit report, the Institution should follow its procedures for obtaining and reviewing complete documentation with respect to verification.

Finding No. 01-3

The auditors found that of 75 files tested for student eligibility, 1 student's Institutional Student Information Record (ISIR) contained conflicting information with respect to household size. The Institution provided resolution to the auditors and repaid \$14 to the Federal Pell Grant Program, which was confirmed by the auditors.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provided training and will implement internal quality control to ensure that conflicting information is identified and resolved prior to disbursement of Title IV funds. We found no exceptions with respect to conflicting information during the file testing for the current audit period.

Finding No. 01-4

The auditors found that of 25 files tested for refund calculation accuracy, 1 student's file contained an incorrect refund calculation. Specifically the Institution used an incorrect amount for aid disbursed in the calculation. The auditors recalculated the refund using the correct amount of aid disbursed. An additional refund in the amount of \$1,875 was due to the Federal Pell Grant Program as a result of the revised calculation. The Institution repaid \$1,875 to the Federal Pell Grant Program, which was confirmed by the auditors.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provided training and will implement internal quality control to ensure that returns of Title IV funds are correctly calculated. We found no exceptions with respect to refund calculation accuracy during our file testing for the current audit period.

Finding No. 01-5

The auditors found that in 1 of 75 files tested for student eligibility, 1 student received FSEOG but did not have Pell eligibility. The Institution repaid the FSEOG Program in the amount of \$300, which was confirmed by the auditors.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will provided training and will implement internal quality control to ensure that FSEOG funds are properly awarded to students with Pell eligibility. We found no exceptions with respect to disbursement of FSEOG funds to ineligible students during our file testing for the current audit period.

Finding No. 01-6

The auditors found that of 25 files tested for refund compliance, a refund for 1 student was not paid. The Institution initiated payment of the refund. However, a cancelled check was not available for the auditors' review.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Controller and the Director of Financial Aid will implement procedures to effectively track those students who withdraw, to ensure funds are returned within the requisite timeframe. The Institution paid the refund of \$512, we reviewed the documentation. We found no exceptions with respect to refunds not paid during our file testing for the current audit period.

Finding No. 01-7

The auditors found of 25 files tested for refund compliance, refunds for 13 students were paid late. As required by the January 2000 Audit Guide, the auditors expanded their sample by an additional 59 students to achieve a 95% confidence level with a confidence interval of $\pm 5\%$ for refund timeliness. The expanded sample testing resulted in the identification of 43 additional students with late refunds. Based on the original sample plus the expanded sample, refunds for 56 of the 84 withdrawn students tested were paid late based on the cancelled check date.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Controller and the Director of Financial Aid will implement procedures to effectively track those students who withdraw to ensure return of Title IV funds calculations are completed and appropriate funds are returned within the requisite timeframe. In the final audit determination letter, the U.S.D.E. noted that the Institution had posted an irrevocable letter of credit with an expiration date of July 30, 2003. As such, no further action was required. As noted in finding No. 02-1 of this audit report, the Institution should take steps to ensure that its procedures for the timely disbursement of refunds and Return of Title IV funds payments are strictly followed.

Finding No. 01-8

The auditors found that of the 6 SSCRs due in 2001, 5 SSCRs were not submitted within the required timeframe. The auditors noted that the Institution notified lenders of students' last day of attendance using a status change form, and that the Institution's FY 1999 cohort default rate is 7.6%.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid will implement improved monitoring procedures to ensure that SSCR files are drawn, updated, and sent within the required timeframes. We noted no exceptions with respect to SSCRs not submitted timely during our testing of reporting for the current audit period.

Finding No. 01-9

The auditors found that the total 2000-01 Federal Pell Grant authorization as shown on the EDGAPS Activity Report for the award year ended June 30, 2001 dated April 18, 2002 was \$1,558,446. Audited Pell disbursements are \$1,589,586. Final net draws per EDGAPS are \$1,720,312. The Fiscal Operations Report indicates Pell disbursements of \$1,589,586. EDGAPS net draws exceed the final authorization in the amount of \$161,866. EDGAPS net draws exceed audited disbursements in the amount of \$130,726. The auditors noted that on October 8, 2001, the Institution electronically transferred \$158,904 to the U.S. Department of Education for payment of 2000-01 Federal Pell Grant funds. The auditors confirmed the return of funds.

Action Taken

In its corrective action plan, the Institution stated that it concurs with the auditors' finding. The Institution further stated that the Director of Financial Aid and the Controller will work together to complete the reconciliation of the Federal Pell Grant Program for 2000-01. We noted that the Institution has reconciled the 2000-01 Pell awards and the proper amounts are now reflected in U.S.D.E. records. We found no exceptions with respect to Federal Pell Grant reconciliation during our testing of reporting for the current audit period.